

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4828-01
Bill No.: SB 1394
Subject: Taxation and Revenue: Sales and Use, Income
Type: Original
Date: March 26, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$5,386,019 to Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	\$5,386,019 to Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
School District Trust	Unknown	Unknown	Unknown
Conservation	Unknown	Unknown	Unknown
State Soil and Water	Unknown	Unknown	Unknown
State Parks	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that eliminating the requirement that the Department inform local taxing officials of sales tax delinquencies before turning a case over to the Attorney General for collection would result in savings of about \$4,000 per year in printing and postage.

They noted that there would be programing costs to change the Withholding Tax System to notify the Missouri Integrated Tax System (MITS) that an account's sales tax license should be revoked, to add new revocation codes to the MITS, and to change the Missouri Individual Income Tax Systems (MINITS) to allow offsetting of property tax credit (PTC) refunds against income tax or PTC claim delinquencies. Officials estimate these changes would require 519 hours of programming at a cost of \$17,314.

Department of Revenue officials stated that there is approximately \$7,100,000 in delinquent withholding tax owed by 1,930 accounts which also have sales tax delinquencies of more than \$10. These accounts could have their licenses revoked for sales or withholding tax delinquencies. There is about \$20,300,000 in delinquent withholding tax owed by 2,832 accounts which have

ASSUMPTION (continued)

sales tax delinquencies of less than \$10 or have no sales tax delinquencies. These accounts could be revoked for withholding tax delinquencies.

DOR officials estimate that twenty percent (20%) to forty percent (40%) of withholding tax delinquencies (\$5,400,000 to \$10,800,000) would be collected due to the possibility of sales tax license revocation. They also note that there would be some increase in sales tax collections.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Income</u> - Department of Revenue (DOR)			
Increased Withholding Tax Collections	\$5,400,000 to \$10,800,000	Unknown	Unknown
Increased Sales Tax Collections	Unknown	Unknown	Unknown
<u>Savings</u> - Department of Revenue (DOR)			
Decreased Printing and Postage	\$3,333	\$4,000	\$4,000
<u>Cost</u> - Department of Revenue (DOR)			
Programming	(\$17,314)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$5,386,019 to Unknown</u>	<u>\$4,000 to Unknown</u>	<u>\$4,000 to Unknown</u>
SCHOOL DISTRICT TRUST FUND			
<u>Income</u> - Increased Sales Tax Collections	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
CONSERVATION FUND			
<u>Income</u> - Increased Sales Tax Collections	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

STATE SOIL AND WATER FUND

<u>Income</u> - Increased Sales Tax Collections	Unknown	Unknown	Unknown
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ESTIMATED NET EFFECT ON STATE SOIL AND WATER FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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STATE PARKS FUND

<u>Income</u> - Increased Sales Tax Collections	Unknown	Unknown	Unknown
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ESTIMATED NET EFFECT ON STATE PARKS FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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POLITICAL SUBDIVISIONS

<u>Income</u> - Increased Sales Tax Collections	Unknown	Unknown	Unknown
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

Small businesses which were delinquent in paying withholding or sales taxes would be affected by this proposal.

DESCRIPTION

This proposal would revise tax collection laws by:

- 1) repealing the requirement that the Department of Revenue notify affected local taxing entities before turning a delinquent tax case to the Attorney General for collection and making the Department always include local taxes in a suit against a delinquent taxpayer;
- 2) allowing the Department to assess tax against officers of a corporation as responsible if the corporation fails to file a return or pay tax (current law only allows assessment DESCRIPTION)

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if the corporation fails to file a return *and* pay tax);

3) allowing the Department to offset property tax credit (circuit breaker) refunds against income tax delinquencies or property tax credit delinquencies; and

4) allowing the Department to revoke sales tax licenses for failure to pay employer withholding tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal could affect Total State Revenue.

SOURCES OF INFORMATION

Department of Revenue



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